Other Post-Employment Benefits Update/
Funding Policy

Claire Arnold, Associate Vice Chancellor, Accounting and Reporting
May 2017
New GASB Pronouncements

• **GASB 74** - Financial Reporting for Postemployment Benefits Other Than Pension Plans ("Plan Accounting") – Effective Fiscal Year 2017

• **GASB 75** - Accounting and Financial Reporting for Postemployment Benefits Other Than Pension ("Employer Accounting") – Effective Fiscal Year 2018
## Summary of Required Changes

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>New (GASB 75)</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actuarial Cost Method</strong></td>
<td>Project Unit Credit</td>
<td>Entry Age Normal Method (EAN)</td>
<td>Results in a higher liability</td>
</tr>
<tr>
<td><strong>Discount Rate</strong></td>
<td>Expected LT Return on Assets</td>
<td>20 Year Municipal bond rate</td>
<td>Increase in OPEB liability</td>
</tr>
<tr>
<td><strong>Balance Sheet Liability</strong></td>
<td>Net OPEB Obligation</td>
<td>Actual funded status on market value basis</td>
<td>Large swing on balance sheet upon adoption</td>
</tr>
</tbody>
</table>
GASB 75 Results Versus GASB 45

GASB 45 (Current)
• Actuarial Accrued Liability at 7/1/2015: $2.657 billion
• Net OPEB Obligation: $2.355 billion

GASB 75 (New)
• Actuarial Accrued Liability at 7/1/2015: $3.8 billion
• Net OPEB Liability: $3.8 billion
Implementation Timeline

- Implementation of GASB 74 - "The Plan" - Additional Notes and Required Supplementary
- Implementation of GASB 75 - "Employers" - Reporting Net OPEB Liability

- Fiscal Year 2016
- Fiscal Year 2017
- Fiscal Year 2018

Measurement Date for Net OPEB Liability Reported in FY 2018
OPEB Funding Policy

Purpose – State intent for accumulation of reserve funding for OPEB liability of the Board of Regents Health Benefit Plan

General Objectives -

• To achieve long-term funding of the cost of benefits provided by the Board of Regents Health Benefit Plan;
• To seek reasonable and equitable allocation of the cost of benefits over time;
• To minimize volatility of employer contributions to the extent reasonably possible, consistent with other policy goals; and
• To maintain a policy that is both transparent and accountable to the stakeholders of the Board of Regents Health Benefit Plan.
OPEB Funding Policy

Reserve Funding Levels and OPEB Trust Fund Allocation –

Any reserve funds in the Board of Regents Health Benefit plan remaining after allowing for the plan's Incurred But Not Reported (IBNR) liability plus twenty (20%) percent of plan benefit claims expense, be transferred to the OPEB Trust Fund annually, upon completion of the financial audit. Additional one-time contributions may be made on a discretionary basis in connection with de-risking and other objectives upon approval of the Board of Regents.
OPEB Funding Policy

As of June 30, 2016:
OPEB Trust Fund
  Cash/Investments - $7.9 million
  Net Position - $2.9 million
Health Insurance Reserve (Active) - $135 million

Implementation at 6/30/2016
Transfer to OPEB Trust Fund - $60 million
Health Insurance Reserve (Active) - $75 million
QUESTIONS?